Caldor's Davis Gives Soft Lines a Hard Look

(Continued from page 15)
time, her vision is clear: "I see Caldor emerging as a main floor (department store) apparel environment, with those kinds of resources."

For now, a cadre of private labels will probably represent the department store resources. Davis won't target a goal for private label business, however, because she hopes department store vendors will eventually sell national brands to the chain. "Ten years ago, Mervyn's was 90% private label and now every brand wants to be in their stores," she points out.

Davis's philosophy about emulating Mervyn's is based on the No. 1 directive for remerchandising: keep Caldor's existing customer base. A consumer study last year reaped specifics as to who the Caldor shoppers are and what they want.

The survey revealed that 100% of the chain's shoppers also shop department stores; the average income is around $25,000 and 65% are between 30 and 65 years old. Proof of the Caldor shoppers' savvy came in other statistics. For example, 60% of the chain's book business is in hard cover books.

In general, Caldor customers indicated through the survey that they want better quality and more fashion in apparel, Davis said.

Going forward, the price range in sportswear will generally range from $10 to $25, Davis said. That represents a shift upward from a year ago when opening price points were $7 or $8, she explained.

The new approach to private label includes several names targeted to a specific classification and customer, not unlike the approach taken at K mart. Labels pegged to appear this year include Harbour Trading for gentlemen's golf shirts and shorts, Johnathan David for more contemporary men's looks and Today in California targeted for young men.

> ***'I see Caldor emerging as a main floor (department store) apparel environment, with those kinds of resources.'***
>
> —Barbara Davis, vp soft lines, Caldor

Other private labels will include Cleo, Spirit, Spirit Sport and Pembrooke Classics in ladies'; Gemini in girls'; Generation 2000 in boys' and Muffet and Sandbox for infants and toddlers.

Unlike at K mart and other discount chains, Caldor's efforts to build private label doesn't mean going to the orient to program fashion basics. "In order to change our market share quickly, our buyers would have to be experts on design, color and cut and trim," Davis said. "We're not ready for that.

"We're all pressed to make more money and get better margins. But one mistake that we make in this business is that we expect our buyers to be designers."

Davis said imports would continue to account for around 10% of the apparel mix going forward.

Name brands, albeit mass market names, figure in the chain's apparel positioning already. Some 20% of the chain's television spots in the New York area were devoted to apparel this year, Davis said. In those spots, brands including Lee, Gitano, Buxton and McGregor were featured.

In hosiery, another department slated for new fixtures this spring, recently added Hanes goods "are flying," she added.

Hot Colors Spice Up Personal Sales

(Continued from page 8)
profit we're going after. Whatever you gain in the hot colors, you're losing on your everyday basic."

At Heck's, sales in personal care are expected to increase 10% this year, as they did in 1985, but buyer William Eades said that will come mostly from a continuation of last year's stepped up promotional activity. He said the chain started advertising the category twice a month last year, up from once per month in 1984, and expects to continue on that pace through 1986. Everyday margins on personal care appliances are 25% to 30%; on sale, the chain tries to hold to 10% to 15% margins, said Eades.

He added, though, that the category should also benefit from a first-time infusion of color in May or June of the High Energy line, which will be advertised for back-to-school in August, as well as in the last quarter for Christmas.

Eades said the color lines will be priced at about $13.97 for the hair dryer, $7.97 for the curling brush and $6.97 for the curling iron. The chain's basic line, Windmere, will be priced about $1 lower.

Unlike several other buyers, Eades looks at the fashion colors as plus business, which won't steal from basic assortments. He explained the color items appeal mostly to older girls and teenaged women who will buy the items for themselves, rather than sharing with their families as they had in the past.

S.E. Nichols is also joining the color bandwagon in personal care with the addition of The Hots line by Helen of Troy. Buyer Bernard Weiler said he is filling three gondolas with eight items in all three colors—magenta, ultramarine and yellow—including the Bikini Mate ladies' shaver.

Many discounters appear to have taken a cautious route, adding color personal care appliances only this year, having watched their performances in other chains last Christmas. Catalog coordinator Jewelcor Merchandising, on the other hand, featured the High Energy line on a full page in its 1986 book, which came out in early fall 1985, in time for holiday sales. Jewelcor was, though, the only coordinator to pick up a color line in time for a current book.

Randall, buyer for Paysaver, a member of the Jewelcor group, said during Christmas, he sold more units of the High Energy hair dryer than any other it carried, although other dryers did better in dollar sales. He said that while the color items didn't boost sales in personal care, they probably stopped the category from declining.

For the 1987 catalog, Randall said Paysaver will probably again feature the High Energy line, but perhaps in only three colors rather than four. By next year, the color concept will no longer be fresh, and the overall category isn't growing to warrant an addition of sku's in other color lines, he explained.

In its 1986 spring and summer supplement, Consumers Distributing featured The Hots line in magenta and aquamarine, priced at $14.92 for the hair dryer, $6.94 each for the curling brush and iron and $13.96 for the Bikini Mate. The supplement also featured Clairol's bikini shaver for $17.97.

Best Products, though, is one cataloger steering clear from the color appliances. A chain spokesperson said the items are too trendy, and therefore don't fit in to a catalog atmosphere.

Discounters Close Out 1985 with Modest Increases Despite Consumers' Cautions

(Continued from page 3)
sound an optimistic note. He said the gain reflected "the merchandising improvements being made in that division."

Despite the overall sales decline Fauber said that K mart's discount stores were in a stronger position at the end of this year than at the close of fiscal 1984.

"Much better controls were maintained this year and it was unnecessary to liquidate inventories through excessive markdowns," Fauber said.

Consumer demand in electronics was evident from January sales gains at several specialty discounters. Circuit City recorded a 56% sales increase in January to $63.6 million. Comparable store sales were ahead 8%, and the chain said it was particularly pleased with the performance of 16 stores opened in November and December.

Tandy's United States retail operations, which include Radio Shack and several smaller brand-name oriented chains, reported a 13% January sales gain to $196 million.

With the modest January sales gains, many observers were predicting slow growth for the first quarter of the new fiscal year. The Consumer Confidence Index, an on-going study published by The Conference Board, fell to 97.3% in January. Consumer buying plans for the next six months are also soft, the board said.

"While the latest figures clearly do not suggest rapid acceleration in economic growth, they are also not flashing any of the signals that traditionally precede a recession," said Fabian Linden, executive director of The Conference Board. "Consumers are now telling us to expect only modest growth during the first quarter of this year and their advice has proven to be sound in the past."

BTS Promos Cause Strong H&BA Sales Performance

(Continued from page 20)
nine hygiene products, like tampons and napkins.

Medicated skin care products is not a big category generally, but does have strong sales this time of year. Top sellers last year included Oxy 10 Medication, Stridex Pads and Clearasil ointment.

Shampoo is a 12-month category—but still a great thing to promote for back-to-school. We recommend that retailers try some of the newer things that are real hot and cheap like Aqua Net shampoo, a good promotional vehicle at under $1, or White Rain shampoo from Gilette.

Mousses would also be great to feature for back-to-school for their appeal to the teenage and young adult segment. It's a newer category, and a lot of promotion is available; this could be a very profitable category to promote.

Somethings that are hot this year and could be all plus sales are the hair color mousses and gels, like Colorific from Vidal Sassoon and Pizzazz from Clairol.

Additional year-round categories often promoted around back-to-school time include deodorants, toothpaste and barsoap.

One innovative new deodorant worth featuring this back-to-school is Real from Mennen. It's called a smooth-on and is geared towards women.

In toothpaste, right now the hottest thing going is Crest Tartar, which had a strong showing last year and is now out in gel formulation. The pumps will also continue to win business.

Toothpaste, though, is not a high profit category, so merchandise it with along with more profitable toothbrushes and dental floss for tie-in sales.

Reach, Oral B, Pepsodent and Colgate toothbrushes are always good choices in the over $1 price range. The Dr. West brand does a good job in the 39¢ range.

Also, watch out for good manufacturer promotions on another steady category—bar soap. Around the back-to-school season, manufacturers offer special prepacks, like four soaps bound together with a buy three, get one free offer, or with a cents off label on the wrapping.

The key to maximizing the sales and profits of health and beauty aids is the display of these items with your other back-to-school promotions.

Target Closing Centers

(Continued from page 1)
market category, but is discontinuing both its installation services and its sales of tires and shock absorbers. He said the sales of tires and shocks, installation services and auto servicing accounted for less than 1% of Target's sales volume. All other automotive products will continue to be carried in the chain's automotive department.

The vast majority of Target's TBA centers are part of the main store building and will give those stores additional space to use as needed. However, Target has developed no formula for how it intends to use this additional space. Rather, the chain will examine the additional space on a store-by-store basis to determine the best solution. For instance, those stores which lack adequate backroom space might not even use all of the additional square footage for merchandising.

Hite was unsure of the average number of square feet involved in TBA centers. Changes in the Edina and Garland stores involved 1,800 sq. ft., he said.

Hite downplayed the possibility of automatic space increases for consumer electronics, or any other category. He says CE benefited from past TBA closings because the department was adjacent to the installation centers.

Hite explained the goal is to bring all Target stores into conformity through remodeling, using prototypes that will be similar to stores in Edina and Garland as models. At this time, however, Target is still studying consumer reactions to these stores and may continue reworking space.

The chain's emphasis in these prototypes is on a more fashion-oriented presentation in apparel departments, home goods classifications and its Basic & Leisure World.

CS150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 25, NO. 7 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | March 31, 1986

Heck's opened its newest prototype in Proctorville, Ohio as chairman Russell Isaacs (inset) met with bankers to explain a major accounting error that usurped the chain's 1985 profits.

Heck's Surprise Loss Sets Back Turnaround

WEST NITRO, Va. — The dramatic downturn in Heck's projected earnings came at a time when the company seemed on its way to reversing its fortunes and reemerging as a strong regional chain. Now, in the words of one analyst, Heck's must go "back to square one" and begin all over again rebuilding the confidence of both its vendors and Wall Street.

The irony of the sudden reversal of Heck's fortunes is that it came on the eve of the debut of a new store prototype, one that was supposed to embody all of the merchandising and operations refinements that would help lead Heck's back to solid profitability. Now industry observers are wondering if Heck's will be able to find the time and the money to allow its latest merchandising strategies a chance to work. (For a report on how Heck's has honed softlines in the prototype, see page 15.)

"The revelation came at a time when all of the work was to pay off," said Guy W. Ford, an analyst with the Norfolk, Va.-based Investment Group of Virginia. "They have done what needed to be done in terms of streamlining merchandise and distribution functions. Store expenses, wages, utilities and delivery systems were all being addressed."

Despite all of those efforts, Heck's will show a loss of about $4.5 million for fiscal 1985, at least in part because of what Heck's chairman Russell Isaacs called a case of be-

(Continued on page 45)

Discount Store Stocks Reach New Highs in Bull Market

By STEVE MALANGA

NEW YORK — The bull market which has kept Wall Street flush with excitement has been driving discount store stocks to new highs almost daily. Investors, buoyed by low interest rates and declining oil prices, have rushed into the market with a taste for retailers whose performance they believe will be boosted by renewed confidence in the economy.

The Discount Store Stock Index, which tracks the performance of 45 retail stocks, has steadily outpaced the rest of the market through the first three months of 1986. All indications are that investors will continue to value discount store stocks, especially those of smaller specialty retailers.

Neil Nordby, president of Nordby International, the Boulder, Colo.-based research firm that compiles the *DSN* Stock Index, said that of the nearly 50 industries whose stocks his company tracks, discount stores have remained among the top four or five performers as a group throughout the year. Market watchers see that trend continuing despite some predictions the market is ready to bottom out.

"Stocks that have been winners with good earnings momentum and strong expansion records will continue to grow," says Thomas Tashjian,

(Continued on page 46)

Specialists Lead Bull Market

Company	Closing Price 3/12/86	Closing Price 12/30/85	Net Change in Period
Circuit City Stores	41.25	24.75	16.50
Federated Department Stores	78.00	66.50	11.50
Crazy Eddie	28.75	18.38	10.37
Zayre Corp.	70.25	61.00	9.25
Wal-Mart Stores	40.50	31.25	9.25
May Department Stores	69.75	61.50	8.25
Highland Superstores	34.63	26.88	7.75
K mart	42.00	35.25	6.75
Toys "R" Us	40.63	35.63	5.00
Pic 'n Save	34.63	30.13	4.50

Source: DSN Reseach

McCrory Paring Down T.G. & Y. Operation

OKLAHOMA CITY — McCrory Stores has begun paring down T.G. & Y. by laying off several hundred headquarters workers and holding liquidation sales in T.G. & Y. stores scheduled to be closed soon.

Some 180 T.G. & Y. headquarters staffers were recently released in what amounts to the first stage in the eventual shutdown of T.G. & Y.'s headquarters here. By October, only 5 T.G. & Y. employees will remain here as part of a small regional office of McCrory Stores, the company said.

The remainder of the nearly 600 staffers still working at the headquarters will be dismissed, except for a very small group which will be transferred to McCrory headquarters in York, Pa.

Although it is too early to tell who at T.G. & Y. will be offered positions with McCrory, most of the Oklahoma City-based retailer's top people probably will not make the trip to York. Both former T.G. & Y. president Richard Rusthoven and Dwayne Hoven, who had been appointed one of the general managers of the company after McCrory took over, have left. J.T. McKitrick, former senior vice president of field operations, is now serving as executive vice president and general manager of T.G. & Y.

McCrory has slated about 200 T.G. & Y. stores, mostly Family Center discount stores, to be shut down. Some of those closings were scheduled to start in the beginning of April, but industry sources were unsure which units were targeted for closings.

"We haven't seen a list of which stores they're closing," said a source in Rose's real estate department. "We have asked for one, but we've heard that it isn't available yet. They're being secretive about the whole thing."

A source at T.G. & Y. said that the closings would include 24 of the 80 stores the company operates in Oklahoma. Several of those stores would be in Oklahoma City, where T.G. & Y. has 23 stores. But Larry Ritchey, a spokesman for McCrory Stores, said that the chain did not plan to pull completely out of Oklahoma City, where T.G. & Y. has been losing market share steadily to Wal-Mart and Target.

Rose's is interested in acquiring stores in its primary

(Continued on page 45)

Target Eyes Northern California

SACRAMENTO — Now that it is firmly entrenched in Southern California, Target Stores is eyeing a drive into several of the state's northern markets as part of its West Coast expansion.

The discounter has been searching for sites from Los Angeles, where it operates 29 stores, to the San Francisco Bay area, said a Target spokesman.

"Our performance out there [Southern California] has clearly indicated that additional stores on the West Coast would be appropriate," said George Hite, Target's vice president of public and consumer affairs. "We feel that we have plenty of additional room to grow there."

Target currently operates 32 stores in California and has slated five or six new stores to open there for 1986. But all of those stores are in the Los Angeles and San Diego areas. It is unlikely, said Hite, that Target's Northern California expansion would commence this year.

Target is still searching for sites in Northern California and has not committed to any locations, said Hite. But sources in at least one market apparently believe Target is sure to head there.

According to press reports

(Continued on page 46)

0024037C DS
MS JEANNE LONG
CONGRESSIONAL INFOR SVC 1MU
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

IN BRIEF

■ **CONSOLIDATED STORES** has purchased 20 stores from a regional supermarket chain in North and South Carolina to convert them to Big Lot closeout stores for a May 1 opening. This represents the beginning of a thrust into Southeastern markets.

■ **KNIGHT–RIDDER'S** carefully watched experiment in electronic shopping is coming to an end. The company is terminating its two-year-old Viewtron shopping service due to lack of volume. The service attracted 21,000 subscribers in two years.

Chains Seek Fashion DIY Items at Show

CHICAGO — With the rapid growth of home centers squeezing profits in major do-it-yourself products, discounters coming to the 11th National Home Center Show said they were looking to build profitability in their hardware mix by focusing on accessories and DIY products with a fashion orientation.

Although most discounters have deemphasized items like building materials, many said they still found the Home Center Show valuable as a hardware exposition, a chance to get a mid-year look at what's new and zero in on products and trends before the Hardware Show in August.

"For a hardware buyer, this is really the only spring show where there is any opportunity to pick up new programs or get ideas until the Hardware Show," said Carlos Owens, Heck's buyer.

"If I can find something interesting here, why not take it and put it in right away instead of waiting until August," said Alan Banks, divisional merchandise manager for Ames Department Stores.

Banks came to the show looking for small, self-contained programs. Among those offerings that he found notable was a line of garage door accessories by Stanley which included extension springs, hinges and other replacement parts in coordinated packaging.

The explosive growth of home centers has not hurt Ames' hardware business, said Banks, because of the chain's focus on smaller convenience items, not products designed for large DIY projects. The department's biggest gainer in recent months, for instance, has been batteries and flashlights, which have been coordinated into a section which stretches to 16 ft. in stores.

"These are the kinds of everyday items that people use up quickly and will come to us, not a home center, to replace," Banks said.

One trend which several discounters said that they felt their chains might be well-positioned to exploit was the emergence of fashion in DIY products. In everything from bathroom accessories to ready-to-assemble furniture, vendors were showing more carefully coordinated color programs, better packaging and more sophisticated designs—all targeted at the DIY customer.

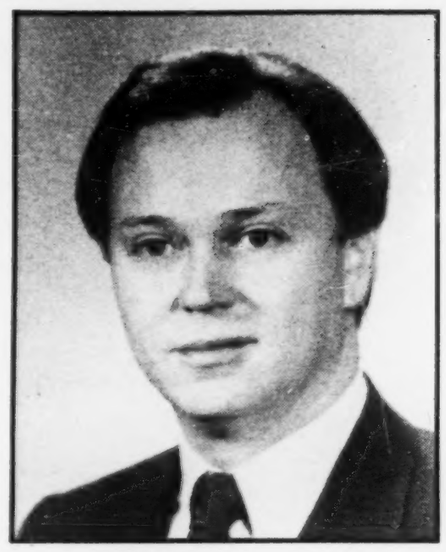
Several chains, including Target, Bradlees and Hills, have shown more interest in better-quality unfinished furniture. The furniture itself might bring margins of 33%, said one buyer, but more important were the profits which came from accessories such as stains, paint brushes and sand paper. A piece of unfinished furniture sold at $100 might bring with it $30 to $40 in accessories sales at margins that average more than 40%.

One key issue in the unpainted furniture business was how to merchandise the product. Target has folded it back into its Home World section, with all other furniture, while Bradlees places it in hardware departments. Hills also merchandises the category in its home sections, although product is bought by the chain's paint buyer in a 15-store test.

"We're testing a 16-ft. section. You need at least that much space to do the job right," said Doug Ritter, merchandise manager at Hill's.

As the ready-to-assemble

(Continued on page 46)



George Jones

George Jones Promoted At Target

DSN Nationwide Report

Four top discounters—Target, Caldor, ShopKo and Zayre—have announced changes in key executive positions.

George Jones has been promoted to senior vice president, general merchandise manager, hardlines, at Target. He reports to president Robert Ulrich.

Jones came to Target in February 1985 as vp, merchandise manager, from Sibley, Lindsay and Curr in Rochester, N.Y., where he held a similar position.

A new senior vp, gmm has also been named at Caldor. Arthur M. Heller will oversee buying in hardlines, one of Caldor's three merchandising divisions.

Prior to joining Caldor in 1973 as divisional merchandise manager, Heller had been with S. Klein in New York

(Continued on page 46)

Denver Expansion is First

Buyer's Club Warehouses to Open

AURORA, Colo. — Add Buyer's Club to the list of membership warehouses gearing up for a major expansion effort.

The company plans to open two membership warehouses in the Greater Denver area this fall, doubling its count there, and to expand into other new markets with at least seven new stores.

Ten warehouses planned for next year will give the chain 21 units by the end of 1987.

This growth plan will be fueled by the privately held company's $10 million stock placement with a corporation "that has asked that its name be kept anonymous," said Arnold L. Jacobs, Buyer's Club corporate marketing director.

The stock deal followed last month's spin off of the Buyer's Club operation into a new company, Buyer's Club Markets, by its founder and parent firm, discounter Union Hall. The Union Hall principals—chairman Elbert Bagus, president Kenneth Bagus and vice president Stuart Bagus—remain the major stockholders in Buyer's Club Markets; the unidentified company has a minority share.

As part of the spin off, Buyer's Club plans to move its headquarters next month from Rockford, Ill., Union Hall's home, to a 16,000-sq.-ft. building located in the Denver Technological Center. "Union Hall will still have a very strong relationship with Buyer's Club," Jacobs said.

Kenneth Bagus said Union Hall's volume last year from its two discount stores and Buyer's Club units was about $90 million, mostly from the membership warehouse operation. He added that the Buyer's Club was one of the few membership warehouses which showed a first-year profit.

Buyer's Club's first membership warehouse was opened in 1984 in Aurora, Colo., a suburb of Denver. It was followed in December 1985 with a unit in Arvada. This fall, it will unveil stores in Englewood and Thornton, also in Denver, while its future growth will be "throughout the United States."

The membership warehouse's plan "is to own its own buildings and, in some cases, even the land," Jacobs added.

In Denver, Buyer's Club battles PACE, which has warehouse units in Aurora and Englewood. Later this month, PACE also plans to open in Arvada, and a fourth unit is planned for Thornton later this year.

REPORTER'S NOTEBOOK

Chains Test Flex Hours, Incentives To Ease Operations, Personnel Woes

HOLLYWOOD, Fla. — Executives from about 40 chains exchanged ideas about pressing personnel and operational problems at the NMRI's recent Human Resources and Store Operations conference.

Here are a few ideas presented at the conference as ways to address some of these problems:

■ Fisher's Big Wheel is now testing flex hours in its finance area involving 75 to 80 employees, said Jeffrey Dentz, vp, human resources.

If four people work in accounts receivable, for example, at least one person must be in during regular office hours, 8 a.m. to 4:30 p.m. The other three may arrive any time between 7 a.m. to 9 a.m. and, depending upon when they started, work until 3:30 p.m. to 5:30 p.m. Each department sets its own schedule.

Aside from allowing workers to choose convenient working hours, benefits of this system include staggered use of building facilities and equipment, like the cafeteria and computer terminals.

■ The Northeast, and New England in particular, "has been plagued by a lack of help, good or bad," said Paul Duval, vp, Ann & Hope. The chain's response: If the stores can't be where the help is, take the help to the store.

Ann & Hope, with stores in Massachusetts and Rhode Island, transports workers in 12- to 15-passenger vans, up to 60 miles one way, at a cost to the chain of $850 per month.

■ Jamesway has just given district managers a budget for rewarding employees for jobs well done. Gerald Fitzgerald, vp, personnel, said these morale-building awards will be distributed in the form of gifts, like dinner certificates or tickets to sports events.

■ In a good neighbor gesture, Hills offered a free Videoprint program for children in its Canton, Mass., office. More than 50 children were videotaped for a visual and voice record should they ever be reported missing.

A secondary benefit of the program for Hills, also suffering from a worker shortage, was "the opportunity to showcase its office" to potential employees, said Lawrence Miller, vp, human resources.

Zayre's Stuart M. Needleman (left), Richard J. Fleming (center) and Steve Briar (right) were among those attending the Human Resources and Store Operations conference, Hollywood, Fla.

Girls' Wear Looks Trendy

Trendy junior looks in girls' 7 to 14 apparel promises powerful sales this year, discounters report. By the fall BTS season styles like the oversize tops and stirrup pants featured in Zayre's spring circular will dominate. (See story page 15.)

IN BRIEF

Auto 30
Classified 44
Consumer Electronics 9
Editorial Page 6
Health & Beauty Aids 26
Housewares Show Preview 23
Manufacturer News 34
Stock Update 69
Tax Issues 28

H.C. Prange Dismisses 92 Staffers In Effort to Improve Profitability

GREEN BAY, Wis. — Ninety two employees, including upper and middle level managers, have been let go at Prange Way and its parent company, the H.C. Prange department store chain, in an effort to improve profitability at the company.

The chain has announced it will also close older, less profitable stores in any or all of its divisions, including its 43 unit Id chain of women's specialty stores which was also affected by the layoffs.

(However, these moves will not hurt the company's expansion plans for Id, on which the company is pegging its future health, according to Richard Unger who is vp, marketing.)

Corporate executives wouldn't comment on the layoffs or the attendant wage freeze instituted. The company's press announcement stated only that Prange has "joined the ranks of companies in all industries which are reviewing their organizations to make sure they're being operated in the most effective and productive manner."

Among those leaving the company in recent weeks, are three vice presidents on the department store side of the business, including the vp, regional director of stores, the vp, gmm, ready-to-wear, cosmetics and the vp, corporate operations manager. Their responsibilities have reportedly been dispersed among remaining staffers.

In the past, the department and discount store divisions have been run by one staff. More recent changes have given the discounter group more autonomy.

The layoffs followed closely on the heels of the resignation of president Steve Jelin and the naming to that post of Larry Sommer, a 27-year company veteran.

Jelin, who joined the firm in early 1985 from Hills where he had been vp, softlines merchandising, has since joined Zayre as senior vp, gmm, for men's, children's and selected women's wear categories.

Jelin's softlines merchandising experience was a major drawing card in his drafting by the 20 unit midwestern chain, which had been positioning itself as a more fashion-oriented discounter in its markets which were dominated by price-driven and hardlines-oriented Shopko and Kohl's department stores.

Competition will be further intensified this year when Target moves deeper into and Wal-Mart enters Prange Way's trading areas, which are primarily in Wisconsin.

"Prange is a small, privately owned company," one former executive noted. "It's financial resources are limited. Business just hadn't been there in the last year, in addition, [Prange Way] took some heavy markdowns."

Louis F. Busico

Alice Trost Kanigowski

Clover Reorganizes Its Merchandising Staff

PHILADELPHIA — Clover, the discount division of Strawbridge & Clothier, has reorganized its merchandising management to include two vice president/general merchandise manager positions. Previously, the chain had just one vp/gmm supervising all merchandising functions.

Louis F. Busico, who had been vp/gmm, will now be responsible only for hardlines departments. At Clover, that includes soft home merchandise.

Alice Trost Kanigowski is now vp/gmm of soft lines, a new position. She had been divisional merchandise manager over women's apparel since 1970. As vp/gmm for soft lines, she will oversee all apparel categories.

Both Kanigowski and Busico will report to Warren White, executive vp and general manger of Clover stores.

The reorganization was prompted by the 20-store chain's continued growth, according to White. For 1985, Clover's volume reached $270 million. Apparel categories account for 40% of that vol-

(Continued on page 46)

Wal-Mart Opens Closeout Unit Under MOST! Name

BENTONVILLE, Ark. — Wal-Mart has opened a 70,000-sq.-ft. processing center and store in Memphis called MOST! to handle defective merchandise.

But a report in *USA Today* that said the store is a prototype for a new chain is incorrect, according to Wal-Mart president David Glass.

Glass said the discounter has had a similar center at its Bentonville, Ark., headquarters for about eight years—operating without a logo. Retailers like Sears and Wards are among the other large general merchandisers who operate such closeout centers.

"It took us eight years before we found we needed another processing center. MOST! isn't a prototype for a new Wal-Mart venture," he added.

Wal-Mart uses the two centers to process defective and damaged goods "to centralize this operation so that individual stores don't have to deal with manufacturers or importers," he explained.

The Memphis center services Wal-Mart's stores in the Southeast and Midwest. Its customer base is much larger than the Bentonville facility, so the mix has been augmented with closeouts to attract shoppers, Glass said.

Annual Earnings Results Mixed
(In Thousands)

	Most recent completed fiscal year	Previous completed fiscal year	% change	Return on sales
K mart	$221,200[1]	$499,100	−56.0	0.09
Wal-Mart	327,500	270,800	+21.0	3.80
Zayre	94,600[2]	78,000	+21.3	2.30
Bradlees	30,600[3]	85,200[3]	−64.0	1.80[4]
Rose's	20,300	23,900	−15.0	2.00
Target	277.8[3]	235.6[3]	18%	7.00[4]
Mervyn's	245.0[3]	223.3[3]	10%	9.00[4]

[1]Net earnings which reflect a $237 million loss from discontinued operations, including Astra S.A. and K mart Insurance Services.
[2]Reflects acquisition of HomeClub
[3]Operating income
[4]Return on sales from operating income
Source: Discount Store News *Research*

Discounters Post Mixed Earnings

Nationwide DSN Report

The nation's major discounters posted mixed earnings results in 1985 as many chains struggled with soft consumer spending which produced only modest sales gains.

Wal-Mart, Ames and Zayre recorded solid earnings gains while others, including K mart and Bradlees, saw their earnings decline substantially.

At the heart of increases at companies like Wal-Mart and Ames was the ability to control costs and at a time when low inflation kept same-store sales gains modest.

"During 1985, we learned to operate in a disinflationary environment, which required a renewed emphasis on inventory and expense control," said Wal-Mart chairman Sam Walton. "Our operating results reflect significant contribution from these efforts."

While Wal-Mart's earnings rose 21% to $270.8 million, they did not keep pace with the company's sales, which spurted ahead 32%. Wal-Mart did incur substantial costs from opening expenses associated with its aggressive Sam's Wholesale Club expansion program.

Zayre's net income increased 21.3%. Discount store operating income rose a healthy 16.1%, but the real story was the rebound in earnings at Zayre's off-price apparel chains. Operating income for T. J. Maxx and Hit or Miss rose 38.4% over a weak prior year.

Buoyed by that solid year,

(Continued on page 45)

Discounters Ready for Challenge to Proposed Minimum Wage Increase

WASHINGTON — Discount chain industry leaders are preparing for a fresh election-year battle on Capitol Hill over proposals for sharp increases in the national minimum wage rate.

One bill already before the House Labor Standards Subcommittee, Rep. Gerald Kleczka's (D-Wis.) new Wage Inflation Adjustment Act, would raise the current $3.35 Federal hourly pay floor by 60¢ in two stages over the next 22 months.

But a separate and even more drastic measure was unveiled earlier this month by Rep. Pat Williams (D-Mont.). Under that bill, the hourly minimum wage would rise annually for the next five to eight years until it reaches 50% of the hourly earnings nationwide (currently more than $9 per hour).

At that point, the Federal wage floor would be "indexed" to rise automatically in step with increases in the average wage level for all workers.

Although Congressional hearings have not yet been scheduled on either proposal, the new minimum wage bills are stirring serious concern among industry lobbyists.

AGMC President Edward Borda, for one, told *Discount Store News* that his group "will spare no effort making sure Congress knows how damaging minimum wage hikes would be for our industry."

On the other side of the fence, however, supporters of minimum wage increases contend that adjustments in the national pay floor are long overdue.

"It has been five years since the minimum wage was last increased," and during that period, "its purchasing power has declined over 25%," Kleczka told Congress. "As a result, the minimum wage has never been lower in its 48-year history."

In a separate statement urging Congressional support for his indexing bill, Williams argued that the present $3.35 hourly wage minimum yields an annual income that is 20% "below the poverty threshold for a family of three, and one-third below the standard for a family of four."

Noting that the present government-recognized "poverty threshold" for a three-member family is $8,900, he said it would require "full-time, year-round work at a wage of $4.24 per hour" to keep such a family out of poverty.

Williams also made public findings of a soon-to-be released study by the National Council on Employment Policy which suggests that the value of the minimum wage is approaching historically low levels.

According to that study, "The statutory hourly wage rate rose in real terms until 1968, then stabilized in the 1970s and has fallen sharply since 1979 . . . Due to the failure to raise the minimum wage since 1981, its level has slipped below 40% (to 38.6% in January 1986) of the average hourly wage for the first time since 1949."

Borda, however, plans to counter these arguments with other studies which indicate that rising minimum wage rates backfire on low-income workers.

"Increases in the minimum wage above marketplace levels destroy job opportunities for entry-level, low-skilled workers," he said.

"Extensive economic research has shown that minimum wage increases build inflation and instability into the economy and leave nine out 10 families worse off."

Moreover, Borda maintains that proposals such as Williams' to "index" the minimum wage "would magnify those harmful effects and make them permanent."

SOFT LINES

Teen Girls Spent $7.4B Last BTS, Survey Reports

NEW YORK — Teen girls spent almost $7.4 billion during last fall's back-to-school season on apparel, footwear and accessories, according to a *Seventeen* magazine study.

Apparel captured over half, or $4.7 billion of those dollars. The teens also spent $985 million on shoes and boots, $927 million on accessories and $739 million on innerwear.

Casual looks in outerwear were most sought after. The teens purchased 14.3 million pairs of jeans at a total of $505 million—the most spent on any single item. This was followed by expenditures of $488 million for 16.2 million pullover sweaters. The study, which is based on surveys of 1,125 respondents, is projectible to a U.S. Census Bureau pool of 8.5 million teenage female students. The study was supervised by Survey Software Systems Inc.

The category with the highest expenditures was pants: Teen girls bought more than 40 million pairs of pants for a total of $1.2 billion. After jeans, narrow-leg and long, straight-leg pants were most popular. Baggies were by far the least desirable style of pants.

The teens also snapped up over 31 million sweaters, at a cost of $865.7 million, favoring pullovers and pullover vests four-to-one over turtlenecks and cardigans.

Of the 23.2 million tops purchased, over one-third were sweatshirts, totaling $143.9 million, and another third were t-shirts, totaling $99.5 million. For the entire tops category—including halters, camisoles and tanks—the teens spent $329.3.

Teenagers also spent $110.8 million on 4.3 million warm-up and jogging suits.

To prepare for the school year, teen girls bought 11.2 million dresses and jumpers, at $423.6 million, and 8.5 million skirts at $229.3 million. Below-knee length and knee-length skirts and dresses were preferred over mini skirts, both for school and dates.

The teens also spent $502.6 million on 20.5 million shirts and blouses. Size 7 and 9 each accounted for approximately one-quarter of the blouses purchased in the junior department.

In footwear, the preference was casual, too. Over 10 million pairs of casual shoes, mostly flats, were sold to teen girls last fall, at $298.3 million. In contrast, they bought 6.9 million pairs of dressy shoes at a total of $219.9 million, with heeled shoes being the dominant style. Boots were almost as popular as dressy shoes, with 3.8 million pairs purchased in preparation for the fall and winter months.

In innerwear, the teens spent $195 on bras; $186 million on lingerie; $179.9 million on hosiery and $168.1 million on sleepwear and loungewear.

More than half of the 17.9 million bras purchased were soft cups. Four million lightly padded and 2.9 million underwire bras were also purchased.

When choosing underwear, female teenagers overwhelmingly favored bikini styles over regular and brief fashions: The teens bought 24.2 million bikini panties, at a total expenditure of $86.2 million, as compared to 8.4 million regular panties ($26.1 million) and 4.1 million brief panties ($14.9 million).

Store Where Apparel is Usually Purchased

*Number of Girls Who Purchased**

Where Purchased	Sleepwear (Add 000)	Sportswear (Add 000)	Dresses (Add 000)	Suits/Coats (Add 000)
Department store	5,964	5,275	5,751	5,523
Boutique /Specialty store	913	2,279	2,797	2,098
Discount store	1,354	1,397	541	631
Variety store	734	828	458	373
Mail order	312	550	266	177
Other	285	326	233	211
No answer	229	375	127	204

**Based on 1,125 returns, projectible to a total U.S. Census Bureau pool of 8,543,000 teenage female students. Column totals reflect multiple mentions.* *Source: Seventeen's Back-to-School Study 1985*

PROCTER & GAMBLE NOTICE TO OUR CUSTOMERS

ATTENTION STORE MANAGER:

We offer Cooperative Merchandising Agreements to all retailers in the U.S.A. Some Agreements are annual—some are short term.

Payments are made for print or electronic media featuring display, and consumer directed promotion. Product coupons and samples are distributed in stores in various markets at various times. Details are set forth in specific agreements. Proof of performance (e.g., tear sheets) and proof of delivery (wholesaler's invoices) are required for some offers. Also, we offer display material, newspaper proofs, etc. to assist you in merchandising our brands.

The above promotional offers are practical and usable by all retailers regardless of size. You may now be performing under an agreement and payments are being made to you or to your headquarters.

If you are not performing or receiving such promotional offers and would like to do so, send your name, address and telephone number to Procter & Gamble, Box 162, Cincinnati, Ohio 45201 and our sales representative will contact you. Please specify, if possible, the Company Division in whose brands you are interested.

Bar Soap & Household Cleaning Products Division
Beauty Care Division
Beverage Division
Food Products Division
Health & Personal Care Division
Packaged Soap & Detergent Division
Paper Products Division

Junior Looks Boost Sales

(Continued from page 16)

For Silverman and other girls' wear buyers, following the junior market is now routine. Since BTS '85, most buyers say they have found it imperative to know what's happening in the junior market. Silverman, for example, saw a sweatshirt and sock ensemble in her chain's junior department last October, had the goods made for her 7-14 customers and on the selling floor by February. Those goods blew out of the stores.

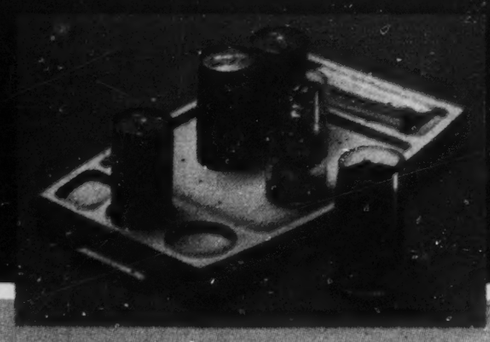
At Maxway, buyer John Brown routinely gets together with the junior buyer and with the jewelry buyer to agree on a uniform color palette. They did that for the first time when planning spring/-summer '86.

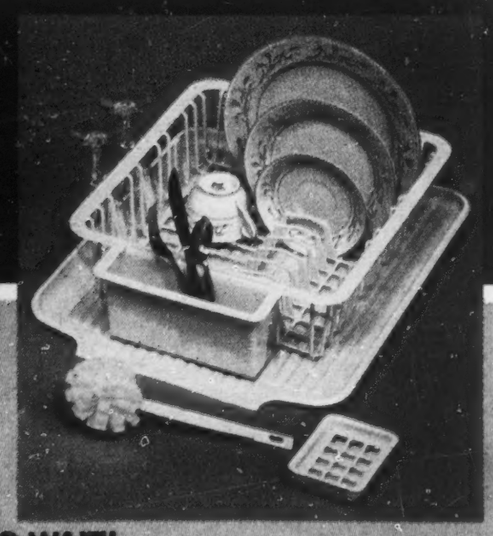
This year, Brown is aiming to be in sync with juniors at his chain, instead of a season or two behind on styling. Typically, he will take a junior item or look, test in 10 stores and, if it sells, get it in chainwide within a month.

At presstime, Brown hadn't bought any of his 7 to14 dresses for BTS but he anticipated cutting back by at least 50%. He plans to put the money into more casual looks. "From what I saw in New York, it's fleece, fleece and more fleece for fall."

Brown and buyers at Heck's and Family Dollar emphasize that their rural, lower-income customers want fashion looks sooner than they have in the past. Stirrup pants, harem pants in black and white and the oversize prints and skimps are in for fall at those chains.

HOUSEWARES®





the new **Transco for on-time delivery and value!**

Today's Transco is an aggressive new force in plastic housewares, we deliver orders on-time, every time. Compare the weight, finish and colors of Transco products, you and your customers will discover superior products competitively priced. Call us today!

Transco's Lap Tray features sturdy locking legs which fold flat for compact storage. Our Deluxe Sink Set includes a dish drainer/silverware cup, cushiony tray, two-piece soap dish and plastic sponge dish mop.

CONTACT THE NEW TRANSCO TODAY . . . YOU CAN'T AFFORD TO WAIT!

Transco Housewares/A Division of Laich Industries
13225 Lakewood Heights Blvd., Cleveland, Ohio 44107-6289 (216) 651-8600, or 1-800-551-0053 • Western Operations — Los Angeles, California

Improved Picture, Sound Fuel Increases in CE Sales

Nationwide DSN Report

Color televisions, VCRs and compact disc players are driving the consumer electronics market by appealing to changing shopper requirements for features and higher-quality video and audio. Lower prices in all three product areas have also made a substantial contribution.

For 1984, the Electronic Industries Association Consumer Electronics Group (EIA) reports total factory sales of consumer electronics at $22.9 billion. Projections for 1985 call for $24.4 billion, and 1986 estimates are for $25.6 billion.

About $5.6 billion in factory sales of color televisions will be reported for 1985, according to EIA projections. Estimates for 1986 call for a slight decline of $5.5 billion in factory sales.

Industry observers agree that continued strong sales of color televisions are, in part, a reflection of consumer upgrading to stereo units and projection TVs. Viewers also place greater emphasis on picture quality because they have invested in other video products such as VCRs and tapes. Ray Boggs, consumer electronics analyst with Venture Development in Natick, Mass., points out, "It's easy to determine whether a [television] picture performs well or not. No special expertise is needed."

No Pattern Changes

He expects color television prices to increase between now and summer but said higher prices will not change the pattern of consumer upgrading because, "There is no going back," once the decision has been made to upgrade. He notes further proof of the trend toward upgrading in the slowdown in black and white TV sales. The sales slowdown in monochrome sets continues even as some discounters drop below the $50 barrier with smaller, brand name sets like Magnavox and Emerson.

Increased VCR sales—$3.7 billion in factory sales are projected for 1985—are credited to lower prices and a growing, healthy cassette rental industry that offers consumers more VCR options than simply time shifting.

Boggs said the lower prices have removed a barrier that prevented many households from entering the market. One out of three households now have at least one VCR, and Boggs points out that many households have two units as they "retire the other VCR to another room in the home" and upgrade with the replacement.

For annual velocity of sales growth, it's hard to match compact disc players. EIA projects 850,000 units were sold in 1985 and it estimates 1.5 million will be sold this year. An EIA spokesman agrees that as CD player prices drop to $200 and below, they are just a half step away from the mass market channel of distribution.

Boggs said, "It is perfectly reasonable to expect to find CD players in discount stores soon." However, he said that to be successful, chains will have to commit to both hardware and software. He expects some chains to back into the market by carrying the software with their traditional record collections.

The current surge in CD player sales is being helped by simultaneous releases of both the traditional black vinyl records and discs and the fact that young consumers are starting their collections with compact discs instead of 78- and 45-rpm records.

Boggs cautions discounters getting into the CD player market about the need for a knowledgeable sales person to demonstrate the product. Unlike color televisions and VCRs, most CD players are not pre-sold. So, he believes discount store sales won't be the heart of the compact disc business but adds, "It won't be trivial either."

Total Factory Sales in Dollars
(In Millions)

	1983	1984	1985 (Projected)	1986 (Estimated)
Color televisions	$5,002	$5,538	$5,660	$5,500
VCRs	1,575	2,898	3,795	3,955
Compact disc players	15	68	187	315
Blank video tapes	540	770	925	1,070
Prerecorded tapes	495	946	1,800	2,300
Car audio equipment	1,900	2,484	2,800	3,000

Source: Electronic Industries Association Consumer Electronics Group

Color video cameras and camcorders posted major changes, with camcorders—a combination camera and VCR—replacing the rapidly outdated video cameras. Since the "camcorder" category was created in 1985, $566 million in factory sales are credited to it, versus just $239 million the same year for color video cameras. Video cameras showed strong sales gains every year until 1985.

The EIA data shows home radio sales unchanged for the rest of this year, with about $560 million in factory sales expected for 1985 and 1986. Telephones are expected to slump slightly from the $970 million mark last year to a projected $966 million this year.

THIS NEW CHAMPION® BATTERY FITS 90% OF THE CARS ON THE ROAD.

Retractable handle means easy installation.

Unique one-piece dual terminals for both top and side applications.

Exclusive external surface design for greater strength and sales.

...nvenient bottom ...acer means easy ...andling and strong presentation.

THE CHAMPION
675 Cold-Cranking Amps